



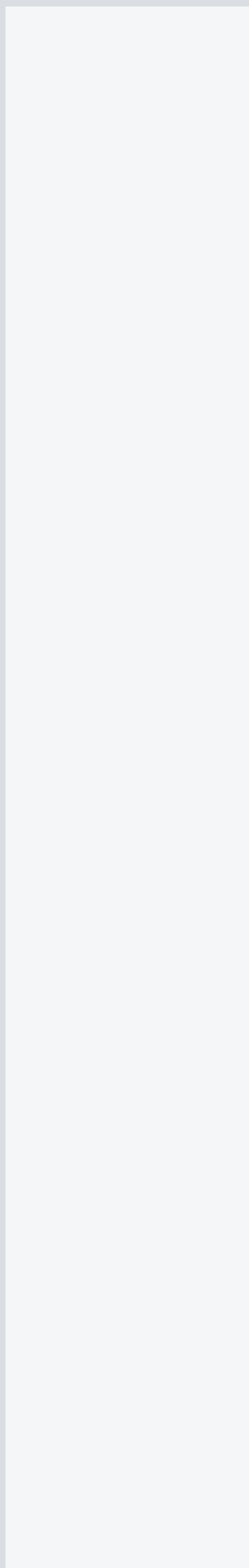
30 June 2020

The background features three grayscale images: a server room with rows of racks on the left, a person in a full cleanroom suit in a laboratory-like setting in the top right, and a person walking through a server aisle in the bottom left.

INTERIM FINANCIAL REPORT

A smart home control system for residential heat pumps. It includes a wall-mounted control panel with a digital display showing '30.02', a smartphone labeled 'HOME CONTROL' displaying a temperature of '23', and a small device labeled 'CICCO'. The text 'CONTROL SOLUTION FOR RESIDENTIAL HEAT PUMPS' is at the bottom. The background shows a wall with two circular fan-like patterns.

CONTROL SOLUTION FOR
RESIDENTIAL HEAT PUMPS



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Corporate bodies

<i>Board of directors</i>	<i>Chairperson</i>	<i>Luigi Rossi Luciani</i>
	<i>Executive deputy chairperson</i>	<i>Luigi Nalini</i>
	<i>Chief executive officer</i>	<i>Francesco Nalini</i>
	<i>Executive director</i>	<i>Carlotta Rossi Luciani</i>
	<i>Independent director</i>	<i>Cinzia Donalisio</i>
	<i>Independent director</i>	<i>Marina Manna</i>
	<i>Independent director</i>	<i>Giovanni Costa</i>

<i>Board of statutory auditors</i>	<i>Chairperson</i>	<i>Saverio Bozzolan</i>
	<i>Standing statutory auditor</i>	<i>Claudia Civolani</i>
	<i>Standing statutory auditor</i>	<i>Paolo Ferrin</i>
	<i>Alternate statutory auditor</i>	<i>Giovanni Fonte</i>
	<i>Alternate statutory auditor</i>	<i>Fabio Gallio</i>

<i>Independent auditors</i>	<i>Deloitte & Touche SpA</i>
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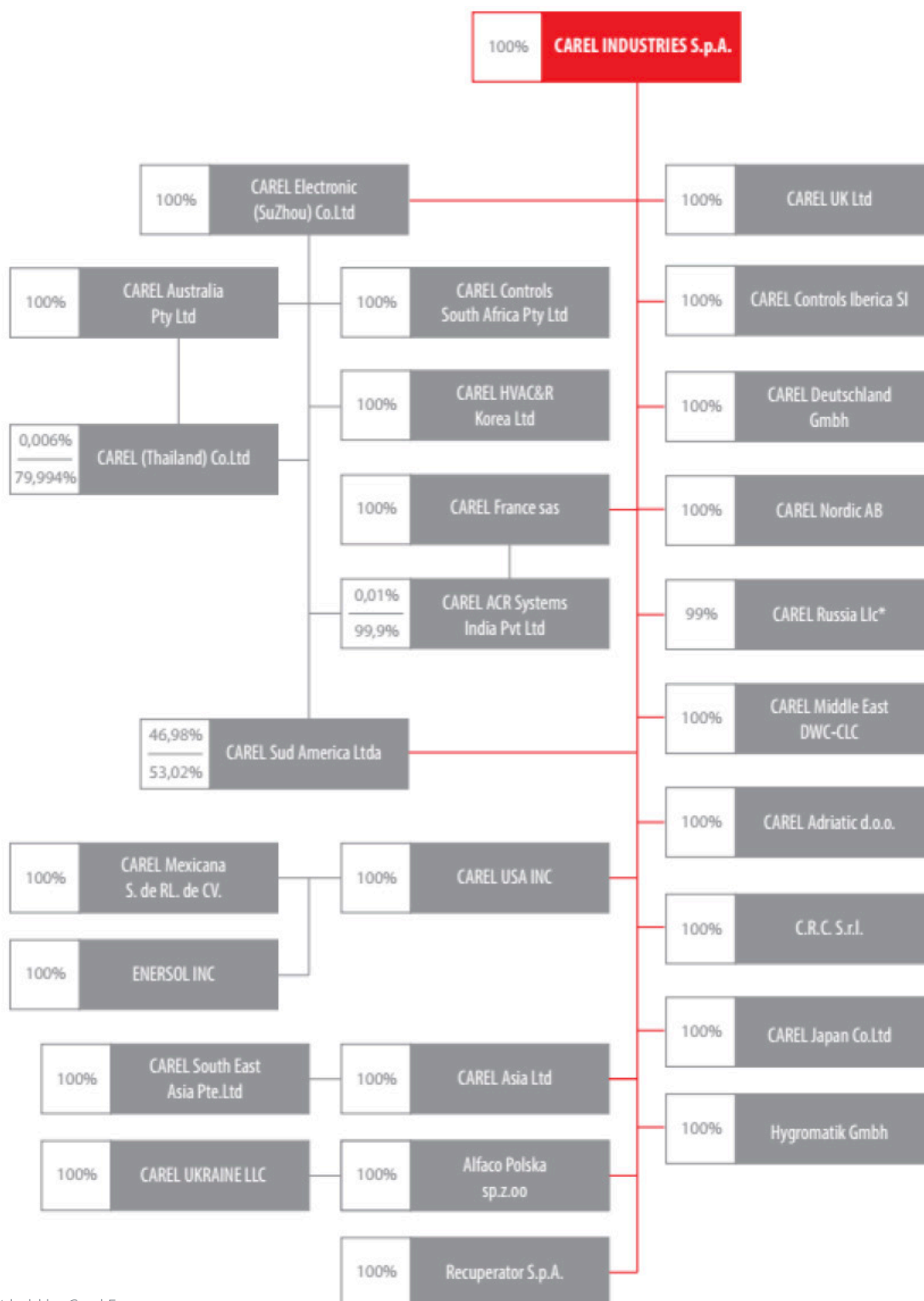
<i>Control and risks committee</i>	<i>Chairperson</i>	<i>Marina Manna</i>
	<i>Member</i>	<i>Cinzia Donalisio</i>
	<i>Member</i>	<i>Giovanni Costa</i>

<i>Remuneration committee</i>	<i>Chairperson</i>	<i>Cinzia Donalisio</i>
	<i>Member</i>	<i>Marina Manna</i>
	<i>Member</i>	<i>Giovanni Costa</i>

<i>Supervisory body as per Leg. dec. no. 231/2001</i>	<i>Chairperson</i>	<i>Fabio Pinelli</i>
	<i>Member</i>	<i>Arianna Giglio</i>
	<i>Member</i>	<i>Alessandro Grassetto</i>

Group structure

The following graph shows the group's structure at 30 June 2020:



*=1% held by Carel France sas



CAREL

Directors' report

at 30 june 2020

Effects of the COVID-19 pandemic on the Carel Industries Group

As reported in the “Events after the reporting date” section of the consolidated financial statements as at and for the year ended 31 December 2019, the first six months of 2020 were characterised by the global spread of the so-called COVID-19 pandemic. The pandemic and, specifically, the lockdown policies imposed by various governments have had far reaching repercussions in many sectors of the global economy, including those in which the group is active. Nevertheless, thanks to the diversification of its products and its presence on a number of niche markets, the group managed to curb the decrease in revenue by focusing commercial actions in the business and geographical segments least affected by the fallout of the pandemic. As also reported below, revenue fell by 3.6% (3.1% at constant exchange rates) compared to the corresponding period of the previous year.

The spread of the virus had a different impact, in terms of timing and significance, on the group’s various production sites and companies; specifically:

- in February, the production site in China had to shut down for about one week; however, following the restrictions imposed by the Chinese authorities, which drastically limited freedom of movement, full production efficiency was only restored towards the end of March. In response to the production slowdown, the group promptly transferred part of the production scheduled for the period to other sites. In April and May, while the pandemic worsened in other continents, particularly in Europe, the site restored its full production capacity, internally saturating production lines to keep up with the demand for products, including outside Asia. Lastly, new production lines were created in order to offset the production slowdown in Italy;
- the Italian production sites in Brugine (PD) and Rescaldina (MI) had to shut down production following the lockdown imposed by the Italian government. The Brugine production site remained closed for approximately two weeks, after which, production resumed solely for products classified as essential supplies, as set out by the authorities. Therefore, for the whole of April, production capacity was limited and some production was transferred to the Croatian site. From May, the production capacity at the Brugine (PD) site was saturated. The Rescaldina (MI) site was able to maintain a production capacity of approximately 30% during lockdown thanks to the products classified as essential by the existing legislation. From May, this site also restored operations, with a production capacity in line with that originally planned;
- the Brazilian production site did not experience significant shutdowns, although the production capacity is limited due to the ongoing spread of the pandemic throughout the whole of South America;
- the American and German production sites continued to operate during the first six months of the year;
- to support these production slowdowns, the Croatian site increased its production capacity from two eight-hour shifts to four six-hour shifts, six days per week, in compliance with the social distancing regulations imposed by the local government.

At the date of these condensed interim consolidated financial statements, all production sites are operational.

With regard to commercial companies, the spread of the pandemic has required extensive use of remote working to allow operations, particularly commercial ones, to continue. The main impacts of COVID-19 on group processes are shown below.

Supply chain and logistics

In the first quarter, certain supplies of raw materials, mainly from China, were delayed due to the extended lockdown in the country. Consequently, the group had to speed up the process which had been under way for a few years, for so-called “double sources”, i.e., the approval of a second supplier in addition to the first. Such process mitigates the risk of serious disruptions to procurement processes by creating a regional system also for the supply chain. In fact, at the moment, regional acquisitions make up over 75% of the main production sites’ acquisitions.

In parallel with this process, the group is implementing so-

called production “mirroring”, i.e., duplicating processes and technologies at several production sites in order to guarantee business continuity for the greatest number of products.

From a logistical point of view, the intense restrictions on the movement of people and goods in China required greater use of air rather than sea transport in order to cut delivery times for both intragroup products and products for end customers. This led to higher transport costs, negatively affecting the first six months of the year, compared to the same period of the previous year.

Health and safety

As occupational health and safety is a fundamental value for the group, during the COVID-19 emergency, close attention was paid to the management of all work processes at different production sites in order to effectively mitigate the risk of contagion.

To this end, following an organisational, structural and behavioural risk analysis, a series of measures were introduced, anticipating the indications included in the national protocols. At a structural level, for example, wearing protective masks in work areas, introducing social distancing by rearranging some work stations, using hand sanitisers, sanitising work areas at the end of a shift, sanitising different areas with an atomiser, limiting access and check everyone’s temperature using a thermoscanner and limiting numbers in communal areas became mandatory. Lastly, although the work environment has air conditioning additional air circulation was facilitated in all work spaces. At an organisational level, remote working

was widely used in March, involving 98% of the group’s Italian white collars, in-person meetings were limited and all national and international transfers were blocked. Thanks to a communication plan launched at the beginning of the emergency, the foreign commercial companies and production sites were guided by “Golden Rules” to prevent contagion in compliance with the local legislation.

For the purpose of behavioural improvement, in addition to the protocols, a series of documents and information pamphlets summarising the general and specific risk mitigation measures were produced and circulated, including with the group’s main partners (suppliers and customers). Lastly, the Golden Rules were summarised in a short video which was shown to all group personnel from around the world in order to guarantee quick and effective communication.

Financial effects, use of support measures

While reference should be made to the following paragraphs for a detailed description of the effects of the pandemic on the financial performance of the period, it is noted that, during the period, the group made use of instruments provided by local governments in order to mitigate the effects of a global economic downturn. Such measures mainly comprised non-repayable grants received by the various companies, in accordance with local legislation. However, the impact of such grants on the group's financial figures was not material either individually or collectively. Group companies were fully eligible to receive this support, which is not subject to other future conditions.

The only exception is the US group company, which received USD1.7 million in May as part of the Paycheck Protection Program enacted by the US government. Provided that the company meets certain conditions, a maximum of USD1.4 million can be considered non-repayable. The conditions are that the grant is used to pay remuneration, interest on loans, leases and utilities; furthermore, the workforce must remain employed and remuneration must stay the same for a defined period of time.

As present, the company believes it complies with the conditions required for the repayment exemption, however, it has not used the full amount as the term to use it has not yet expired. The request for repayment exemption will be filed in the fourth quarter of the year and will be subject to checks and approval by the granting body and the relevant authorities (SBA – US Small Business Administration).

Given that, at present, the exemption request has not been filed and the amount has not been fully used, management decided to continue to classify the grant under financial liabilities. Should it not be non-repayable, it will be repaid with interest, over 18 monthly instalments of the same amount, starting from the sixth month of disbursement.

Group performance

Statement of profit or loss

The statement of profit or loss for the first half of 2020 compared with the corresponding period of the previous year is as follows:

(€'000)	First half of 2020	First half of 2019	inc % 2020	inc % 2019
Revenue	160,968	166,904		
Other revenue	1,421	1,156	0.9%	0.7%
Costs of raw materials, consumables and goods and changes in inventories	(68,612)	(69,951)	(42.6%)	(41.9%)
Services	(20,956)	(22,726)	(13.0%)	(13.6%)
Capitalised development expenditure	990	1,339	0.6%	0.8%
Personnel expense	(42,865)	(42,139)	(26.6%)	(25.2%)
Other expense, net	(73)	(897)	(0.0%)	(0.5%)
Amortisation, depreciation and impairment losses	(9,183)	(8,143)	(5.7%)	(4.9%)
OPERATING PROFIT	21,690	25,544	13.5%	15.3%
Net financial expense	(716)	(682)	(0.4%)	(0.4%)
Net exchange gains (losses)	33	(326)	0.0%	(0.2%)
Share of profit of equity-accounted investees	252	136	0.2%	0.1%
PROFIT BEFORE TAX	21,259	24,673	13.2%	14.8%
Income taxes	(4,920)	(5,660)	(3.1%)	(3.4%)
PROFIT FOR THE PERIOD	16,339	19,012	10.2%	11.4%
Non-controlling interests	10	23	0.0%	0.0%
Profit for the period attributable to the owners of the parent	16,329	18,990	10.1%	11.4%

CONSOLIDATED REVENUE

(€'000)	First half of 2020	First half of 2019	Variation %	FX variation % *
Revenue	160,968	166,904	(3.6%)	(3.1%)

The group's revenue for the first half of 2020 decreased by 3.6% on the corresponding period of 2019, amounting to €160,968 thousand (first half of 2019: €166,904 thousand). At constant exchange rates, the decrease would be 3.1%. This decrease is mainly due to the global economic slowdown triggered by the spread of the COVID-19 pandemic: as mentioned above, the lockdown imposed by various governments led, on the one hand, to a slow down in demand for products on certain markets, specifically HVAC, and on the other, it hampered the

group's ability to process the order backlog due to the aforementioned shutdowns, specifically in China and Italy, which also had an extensive impact on the raw materials supply chain. With regard to revenue, therefore, the group recorded a drop in sales in April and May, partly offset by the good performance in June, when the group increased the production capacity of the Chinese and Croatian sites, in order to work through the previous months' backlog and to keep up with the orders of the period.

A breakdown of revenue by geographical segment is as follows:

Revenue by geographical segment	First half of 2020	First half of 2019	Variation %	FX variation % *
Europe, Middle East and Africa	116,849	117,910	(0.9%)	(0.5%)
APAC	21,367	23,104	(7.5%)	(6.8%)
North America	19,797	22,152	(10.6%)	(12.7%)
South America	2,955	3,739	(21.0%)	(6.2%)
Total	160,968	166,904	(3.6%)	(3.1%)

* The FX variation % is calculated as the percentage of change at constant exchange rates i.e. using those at 30 June 2019.

The geographical segments reflect the geographical location of the countries in which the revenue is earned considering the group's marketing strategies.

The group's revenue for the first half of 2020 was supported by sales in the EMEA (Europe, Middle East and Africa) region which offset the decrease in revenue in other geographical segments in Asia and North America, where revenue fell

by 7.5% and 10.6%, respectively, at current exchange rates. The South American market also saw a decline, mainly due to the strong depreciation of the Brazilian Real. At current exchange rates, the decrease came to 21%, while at constant exchange rates it amounted to 6.2%, mainly due to the drop in volumes in nearly all Latin American countries.

A breakdown of revenue by market is as follows:

Revenue by market	First half of 2020	First half of 2019	Variation %	FX variation %
HVAC revenue	105,002	110,545	(5.0%)	(4.9%)
REF revenue	53,837	53,864	(0.1%)	1.1%
Total core revenue	158,839	164,409	(3.4%)	(2.9%)
Non-core revenue	2,129	2,495	(14.7%)	(14.7%)
Total revenue	160,968	166,904	(3.6%)	(3.1%)



Net of the exchange effects, revenue on the refrigeration market was higher than the same period of the previous year, with positive performance in Europe, the Middle East and Africa, particularly in the Food Retail sector, which more than offset the drop in volumes in other geographical segments, specifically in North and South America. Revenue in the HVAC market fell by 4.9% at constant

exchange rates, recording a decrease across nearly all geographical segments, mainly due to the slowdown of investments by customers.

Non-core revenue came to €2,129 thousand in the first half of 2020 (€2,495 thousand in first half of 2019), showing a decrease of 14.7%.

MAIN FINANCIAL INDICATORS

The main financial indicators for the first half of 2020 compared with the corresponding period of the previous year are set out below:

	First half of 2020	First half of 2019	Variation	Variation %
EBITDA ⁽¹⁾	30,872	33,687	(2,815)	(8.4%)
EBITDA % ⁽²⁾	19.2%	20.2%	n.d.	(5.0%)
ADJUSTED EBITDA ⁽³⁾	30,959	34,173	(3,214)	(9.4%)
ADJUSTED EBITDA % ⁽⁴⁾	19.2%	20.5%	n.d.	(6.1%)
Profit for the year	16,339	19,012	(2,673)	(14.1%)

(1) EBITDA is not identified as an accounting measure under the IFRS, but the group calculates EBITDA as the sum of the profit before tax, the share of profit (loss) of equity-accounted investees, exchange differences, net financial income (expense) and amortisation, depreciation and impairment losses. It uses EBITDA to assess its operating performance.

(2) The EBITDA % is the ratio of EBITDA to revenue.

(3) Adjusted EBITDA is not identified as an accounting measure under the IFRS, but is commonly used by both management and investors to evaluate the operating performance of the company and group. Adjusted EBITDA is EBITDA plus costs taken from the consolidated financial statements prepared in accordance with the IFRS integrated by the notes thereto.

(4) The adjusted EBITDA % is the ratio of adjusted EBITDA to revenue.

The group's EBITDA % for the first half of 2020 was 19.2%, down 5% on the corresponding period of the previous year (20.2%). In absolute terms, EBITDA amounted to €30,872 thousand (-8.4% compared to the same period of the previous year).

The decrease in EBITDA is mainly due to purchase costs and changes in inventories which fell in absolute terms compared to the same period of the previous year, due to the drop in revenue, but increased as a percentage due to the change in product mix, markets and countries during the period.

In response to this drop in revenue, management promptly adopted cost containment measures which mainly led to

a decrease in costs for services (-7.8% compared to the same period of 2019). Specifically, travel expenses were significantly cut (-58.6%) also as a result of the restrictions on movement imposed by the various governments. Consultancy fees and marketing and advertising fees were reduced, down by 18% and 21.5%, respectively.

Such decreases were only partially offset by higher outsourcing (+60.9%) and transport costs (+23.4%) incurred in order to overcome the reduced production capacity of certain sites and mitigate the longer delivery times for products and raw materials due to the shutdowns of certain production sites, as described above.

Personnel expense rose slightly due to the increase in the

number of employees in the previous year. Amortisation, depreciation and impairment losses amounted to €9,183 thousand (first half of 2019: €8,143 thousand) and rose mainly due to the increase in investments made in the last 12 months. Financial expense amounted to €716 thousand, more or less in line with the same period of the previous year.

Income taxes were largely in line with the corresponding period of the previous year. The group's tax rate amounted to 23.1% (first half of 2019: 22.9%).

Profit amounted to €16,339 thousand compared to €19,012 thousand in the corresponding period of the previous year, showing a decrease of 14.1%.

MAIN STATEMENT OF FINANCIAL POSITION INDICATORS

The main statement of financial position indicators at 30 June 2020 compared with those at 31 December 2019 are set out below:

Statement of financial position (€'000)	31.06.2020	31.12.2019	Variation %
Net non-current assets ⁽⁵⁾	164,557	167,957	(2.0%)
Net working capital ⁽⁶⁾	51,912	45,232	14.8%
Defined benefit plans	(7,964)	(7,844)	1.5%
Net invested capital ⁽⁷⁾	208,505	205,345	1.5%
Equity	143,242	143,220	0.0%
Net financial debt	65,263	62,124	5.1%
Total	208,505	205,345	1.5%

(5) Net non-current assets is the sum of property, plant and equipment, intangible assets, equity-accounted investments and other non-current assets.

(6) Net working capital is the sum of trade receivables, inventories, tax assets, other assets, deferred tax assets, trade payables, tax liabilities, other current liabilities, deferred tax liabilities and provisions for risks.

(7) Net invested capital is the sum of (i) net non-current assets, (ii) net working capital and (iii) defined benefit plans.

Non-current assets decreased by €3,400 thousand compared to 31 December 2019. Investments in property, plant and equipment amounted to €2,965 thousand, down from to €9,013 thousand at the end of the first half of 2019. During the first half of the previous year, investments related to the construction of two new production sites

amounted to €4,700 thousand. The main investments related to the construction of new production lines at the Chinese, Croatian and Italian sites. Intangible assets increased by €2,075 thousand (€2,207 thousand at 30 June 2019). The breakdown of investments by geographical segment is as follows:

Investments	30.06.2020	30.06.2019	Variation
Europe, Middle East and Africa	3,972	5,409	(1,437)
APAC	706	3,504	(2,798)
North America	228	2,258	(2,030)
South America	135	48	87
Total investments	5,040	11,220	(6,179)



Investments were in line with the group's strategic objectives and were not significantly influenced by the extraordinary policies introduced to manage the Covid-19 emergency.

Net working capital increased from €45,232 thousand at 31 December 2019 to €51,912 thousand at 30 June 2020 (€59,313 at 30 June 2019). This increase was mainly due to trade receivables which rose by €5,810 thousand (€64,363 thousand at 30 June 2020 compared to €58,552 thousand at 31 December 2019), higher inventories (+€4,698 thousand) offset by higher trade payables and tax liabilities (+€1,814 thousand and +€2,629 thousand, respectively). Other assets fell by a total of €1,012 thousand, mainly due to the cancellation of the VAT assets and the use of other tax assets.

With reference to trade receivables, management closely monitored past due amounts. With respect to collection deadlines, during the period, credit quality did not significantly worsen, as confirmed by the substantial stability of past due receivables, both as a percentage of

the total and in absolute terms.

DSO is in line with previous periods and the increase in receivables compared to 31 December 2019 is mainly due to the timing of invoices, which were mainly concentrated in May and June.

Inventories increased compared to 31 December 2019 and are in line with the same period of the previous year. At 30 June 2020, the accrual to the allowance for inventory write-down increased due to the application of a prudent measurement policy adopted by the group.

Payments to suppliers were regular during the period and, at 30 June 2020, there were no significant past due amounts.

Therefore, it is not believed that the spread of the Covid-19 pandemic has led to an increase in risks related to the management of working capital.

The net financial debt amounted to €65,263 thousand, compared to €62,124 thousand at 31 December 2019, as shown below:

(€'000)	30.06.2020	31.12.2019
Non-current financial liabilities	83,893	74,700
Current financial liabilities	47,547	35,031
Non-current lease liabilities (IFRS 16)	11,299	11,787
Current lease liabilities (IFRS 16)	3,456	3,461
Cash and cash equivalents	(80,913)	(62,798)
Current financial assets	(19)	(56)
Net financial debt	65,263	62,124

During the first half of 2020, the group was able to maintain ample liquidity, allowing it to operate without financial tensions and to repay any amounts due in accordance with the contractual deadlines.

In order to face other potential macroeconomic downturns, in March and April, the parent took out three medium-term loans for a total of €30 million in order to guarantee sufficient liquidity for the group. All loans bear a fixed rate of less than 1%. For more details, reference should be made to section 14 of the notes to the condensed interim consolidated financial statements.

At 30 June 2020, over 60% of cash and cash equivalents were held by Italian group companies, approximately 15% were held by the Chinese subsidiary and over 5% by the US company. The remaining amount was split between the other group companies. Management designed processes which ensure that the cash and cash equivalents held by subsidiaries is promptly available to the group. At

the date of approval of this interim financial report, net financial debt and cash and cash equivalents had further improved compared to 30 June 2020. Furthermore, management maintains relationships with banks in order to guarantee quick access to credit if required, as shown by the aforementioned loans.

Cash flow forecasts prepared by management indicate that the resources available and expected cash flows will be sufficient for the group's normal operations and to repay amounts due at their due dates.

Given the above, the directors believe that the group is not exposed to a higher liquidity risk than usual due to Covid-19.

During the period, dividends of €11,980 thousand were also distributed (30 June 2019: €9,992 thousand).

Reference should be made to the statement of cash flows for more information on changes in such caption.

HUMAN RESOURCES

The workforce increased by 34 employees at 30 June 2020 and is broken down by geographical segment as follows:

	30.06.2020	31.12.2019	Variation
Europe, Middle East and Africa	1,193	1,165	28
APAC	350	345	5
North America	136	133	3
South America	44	46	(2)
Total workforce	1,723	1,689	34

The growth in the workforce was mainly concentrated in Western Europe, particularly at the parent and in other European countries, following investments made in the

production lines and to support the staff at the Croatian branch.

MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

Risks connected to general economic conditions

The group's financial position, financial performance and cash flows may be influenced by a number of factors related to the general macroeconomic backdrop, such as changes in GDP, the cost of raw materials and the level of business confidence in the various countries in which the group operates.

Significant macroeconomic events, such as a generalised and significant increase in the price of the main raw materials, a considerable drop in demand in one of the group's main new markets, a lingering uncertainty and volatility on financial and capital markets, a negative

interest rate trend and unfavourable exchange rate fluctuations in the group's main currencies, may negatively affect the group's outlook and operations, in addition to its performance figures and financial position.

The circumstances caused by the spread of Covid-19, which are extraordinary in nature and extent, have repercussions on global economic activities, generating general uncertainty, whose evolution and related effects cannot be predicted at present. The effects of such macroeconomic context may inevitably also have an impact on the other risks described below.

Risks connected to the performance of the reference market

The markets in which the group operates may be influenced to varying degrees by unpredictable cyclical expansion and resizing. The ways in which the main customers absorb these fluctuations in demand and reflect them through the entire production chain may have a significant impact on procurement policies and inventories management and, as a result on working capital needs and the ability to adequately absorb fixed costs.

In the first half of 2020, demand for the Carel Group products did not significantly slow down due to the Covid-19 pandemic. The dynamics of the different markets, in terms of both their geographical size and product families, included in legislative measures, were closely monitored, both in order to adjust commercial, procurement and production policies and to identify opportunities to develop new products.

Liquidity risk

The group's debt partly bears floating interest rates. Given its ample liquidity, it has an immaterial liquidity risk with respect to its short-term deadlines and, therefore, this risk principally refers to its medium to long-term financing. When deemed significant, the group agrees hedging instruments to neutralise interest rates fluctuations.

The group still has a high level of liquidity and has had easy access to additional funding, without additional costs, even during the first half of 2020. Therefore, it is not believed that such risk was increased by the pandemic, although the effects of another upsurge cannot be predicted.

Credit risk

The group's credit risk management policy includes rating its customers, setting purchase limits and taking legal action. It prepares periodic reports to ensure tight control over credit collection. Each group company has a credit manager in charge of credit collection on sales made in their markets. Coordination between the companies is based on the electronic exchange of information about common customers and the coordination of delivery blocks or the commencement of legal action. The loss allowance is equal to the nominal amount of the

uncollectible receivables after deducting the part secured with bank collateral. Impairment losses are recognised considering past due receivables from customers with financial difficulties and receivables for which legal action has commenced. The group mainly deals with well-known and reputable customers. Its policy is to constantly monitor those customers that request payment extensions.

As already mentioned, the group has not recorded significant changes in credit management and related risks caused by the Covid-19 pandemic.

Risks related to the supply chain

Inadequate management of the group's strategic suppliers with reference to quality controls, delivery times and requested production flexibility would result in the risk of potential operating inefficiencies and inability to satisfy customers' needs.

In order to tackle this risk, Carel subjects its suppliers to an initial evaluation, followed by regular subsequent evaluations, particularly strategic suppliers. This evaluation measures their suitability in terms of technological and production capacity, overall quality of processes and

products, ISO standards quality certifications, business and financial situation and compliance with standards of ethical behaviour.

As reported above, in the first quarter of the year, certain supplies of raw materials, mainly from China, were delayed due to the extended lockdown in the country. Consequently, the group had to speed up the process which had been under way for a few years, for so-called "double sources" and production "mirroring"

Significant events of the period

There were no significant events during the first half of 2020 other than those related to the spread of Covid-19, which is extensively reported above.

Outlook

The Group expects a favorable trend in revenue in the second half of the year and that, in the third quarter, revenue will be at least in line with the same quarter of 2019.



CAREL

The background of the page is a red-tinted photograph of a modern building facade with a grid of windows. The text is centered over this image.

Condensed interim consolidated
financial statements as at and for
the six months ended 30 June
2020 and notes thereto



Statement of financial position

(€'000)	Note	30.06.2020	31.12.2019
Property, plant and equipment	1	60,038	63,775
Intangible assets	2	90,863	90,534
Equity-accounted investments	3	781	536
Other non-current assets	4	12,874	13,111
Deferred tax assets	5	4,764	4,378
Non-current assets		169,321	172,335
Trade receivables	6	64,363	58,552
Inventories	7	52,964	48,265
Current tax assets	8	1,580	1,711
Other current assets	9	5,600	6,613
Current financial assets	10	19	56
Cash and cash equivalents	11	80,913	62,798
Current assets		205,438	177,994
TOTAL ASSETS		374,759	350,330
Equity attributable to the owners of the parent	12	142,892	142,868
Equity attributable to non-controlling interests	13	350	353
Total equity		143,242	143,220
Non-current financial liabilities	14	95,192	86,486
Provisions for risks	15	1,194	1,368
Defined benefit plans	16	7,964	7,844
Deferred tax liabilities	5	10,573	10,896
Non-current liabilities		114,923	106,595
Current financial liabilities	14	51,003	38,492
Trade payables	18	40,014	38,200
Current tax liabilities	19	3,742	1,113
Provisions for risks	15	1,600	2,418
Other current liabilities	20	20,235	20,292
Current liabilities		116,594	100,515
TOTAL LIABILITIES AND EQUITY		374,759	350,330

Statement of profit or loss

(€'000)	Note	First half of 2020	First half of 2019
Revenue	21	160,968	166,904
Other revenue	22	1,421	1,156
Costs of raw materials, consumables and goods and changes in inventories	23	(68,612)	(69,951)
Services	24	(20,956)	(22,726)
Capitalised development expenditure	25	990	1,339
Personnel expense	26	(42,865)	(42,139)
Other expense, net	27	(73)	(897)
Amortisation, depreciation and impairment losses	28	(9,183)	(8,143)
OPERATING PROFIT		21,690	25,544
Net financial expense	29	(716)	(682)
Net exchange gains (losses)	30	33	(326)
Share of profit of equity-accounted investees	31	252	136
PROFIT BEFORE TAX		21,259	24,673
Income taxes	32	(4,920)	(5,660)
PROFIT FOR THE PERIOD		16,339	19,012
Non-controlling interests		10	23
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT		16,329	18,990

Statement of comprehensive income

(€'000)	Note	First half of 2020	First half of 2019
Profit for the period		16,339	19,012
Items that may be subsequently reclassified to profit or loss:			
- Fair value losses on hedging derivatives net of the tax effect		(28)	(455)
- Exchange differences		(3,696)	698
Items that may not be subsequently reclassified to profit or loss:			
- Actuarial losses on employee benefits net of the tax effect		(14)	(368)
Comprehensive income		12,601	18,887
attributable to:			
- Owners of the parent		12,603	18,851
- Non-controlling interests		(2)	37
Earnings per share	Note	First half of 2020	First half of 2019
Earnings per share (in Euros)	12	0.16	0.19

Statement of cash flows

(€'000)	First half of 2020	First half of 2019 (*)
Profit for the period	16,339	19,012
Adjustments for:		
Amortisation, depreciation and impairment losses	9,183	8,143
Accruals to/utilisations of provisions	950	998
Non-monetary net financial expense	586	613
Income taxes	(696)	(167)
	26,362	28,599
Changes in working capital:		
Change in trade receivables and other current assets	(5,942)	(8,286)
Change in inventories	(6,938)	1,576
Change in trade payables and other current liabilities	4,746	622
Change in non-current assets	(226)	91
Change in non-current liabilities	25	221
Cash flows from operating activities	18,026	22,823
Net interest paid	(943)	(785)
Net cash flows from operating activities	17,083	22,038
Investments in property, plant and equipment	(2,965)	(9,020)
Investments in intangible assets	(2,075)	(2,200)
Disinvestments of property, plant and equipment and intangible assets	94	90
Interest collected	145	158
Cash flows used in investing activities	(4,801)	(10,973)
Disposals (acquisitions) of non-controlling interests	0	(0)
Repurchase of treasury shares	(958)	(807)
Dividend distributions	(11,980)	(9,992)
Dividends distributed to non-controlling interests	-	(74)
Increase in financial liabilities	38,592	40,000
Decrease in financial liabilities	(16,675)	(28,316)
Decrease in lease liabilities	(2,105)	(2,043)
Cash flows from (used in) financing activities	6,875	(1,231)
Change in cash and cash equivalents	19,157	9,834
Cash and cash equivalents - opening balance	62,798	55,319
Exchange differences	(1,042)	297
Cash and cash equivalents - closing balance	80,913	65,450

(*) for the purposes of improved comparability with 30 June 2019, certain captions, particularly those related to income taxes and interest income have been reclassified.

Statement of changes in equity

	Share capital	Legal reserve	Translation reserve	Hedging reserve
Balance at 1.01.2019	10,000	2,000	2,660	(93)
Owner transactions				
Allocation of prior year profit				
Capital increases				
Defined benefit plans				
Repurchase of treasury shares				
Dividend distributions				
Change in consolidation scope				
Total owner transactions	10,000	2,000	2,660	(93)
Profit for the period				
Other comprehensive income (expense)			684	(455)
Comprehensive income (expense)	-	-	684	(455)
Balance at 30.06.2019	10,000	2,000	3,344	(548)
Balance at 1.01.2020	10,000	2,000	3,557	(363)
Owner transactions				
Allocation of prior year profit				
Capital increases				
Defined benefit plans				
Repurchase of treasury shares				
Dividend distributions				
Change in consolidation scope				
Total owner transactions	10,000	2,000	3,557	(363)
Profit (loss) for the period				
Other comprehensive expense			(3,684)	(28)
Comprehensive expense	-	-	(3,684)	(28)
Balance at 30.06.2020	10,000	2,000	(127)	(391)

Other reserves	Retained earnings	Profit for the period	Equity	Equity att. to non-controlling interests	Total equity
32,950	39,798	30,678	117,992	296	118,288
					-
23,990	6,689	(30,678)	0		0
					-
153			153		153
(807)			(807)		(807)
(9,992)			(9,992)		(9,992)
					-
46,293	46,487	-	107,346	296	107,642
		18,990	18,990	23	19,012
(369)			(139)	14	(125)
(369)	-	18,990	18,851	37	18,887
45,924	46,487	18,990	126,197	333	126,530
46,166	46,487	35,019	142,868	353	143,220
22,711	12,308	(35,019)	0		0
					-
359			359		359
(958)			(958)		(958)
(11,980)			(11,980)		(11,980)
					-
56,298	58,795	-	130,289	353	130,641
		16,329	16,329	10	16,339
(14)			(3,726)	(12)	(3,738)
(14)	-	16,329	12,603	(2)	12,601
56,285	58,795	16,329	142,892	350	143,242

Notes to the condensed interim consolidated financial statements

Content and format of the condensed interim consolidated financial statements

Carel Industries S.p.A. (the “parent”) heads the group of the same name and has its registered office in Via Dell’Industria 11, Brugine (PD). It is a company limited by shares and its tax code and VAT number is 04359090281. It is included in the Padua company register.

The group provides control instruments to the air-conditioning (HVAC), commercial and industrial refrigeration (REF) markets and also produces air humidification systems. It has seven production sites and 20 commercial branches which serve all the main markets. The IFRS condensed interim consolidated financial

statements at 30 June 2020 refer to the period from 1 January 2020 to 30 June 2020.

The Carel Group adopted the IFRS endorsed by the European Union for the first time on 1 January 2015.

The parent’s board of directors approved the condensed interim consolidated financial statements at 30 June 2020 on 10 September 2020.

The condensed interim consolidated financial statements include the results of the parent and its subsidiaries, based on their updated accounting records.

Statement of compliance and basis of preparation

The condensed interim consolidated financial statements at 30 June 2020 have been prepared in compliance with IAS 34 Interim financial reporting issued by the International Accounting Standard Board (IASB). Pursuant to IAS 34, these notes have been prepared in a condensed format and do not include all the disclosures

required for annual financial statements. They solely provide information about those captions that, due to their size, content or changes therein during the period, are key to an understanding of the group’s financial position, performance and cash flows. Therefore, these condensed interim consolidated financial statements shall be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2019. The

condensed interim consolidated financial statements include the statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and these notes, which are an integral part thereof.

The condensed interim consolidated financial statements were prepared in thousands of Euro, which is the group’s functional and presentation currency. There may be rounding differences when items are added together as the individual items are calculated in Euros.

The condensed interim consolidated financial statements have been prepared on a going concern basis, considering the group’s financial soundness, performance for the period and outlook, in addition to its available resources,



which are sufficient to cover any uncertainties related to the Covid-19 pandemic.

Preparation of condensed interim consolidated financial statements under the IFRS requires management to make judgements and estimates that affect the amounts presented therein and in the notes. Actual results may differ from these judgements. As described in their report, the directors have not identified any factors related to the Covid-19 pandemic that have generated uncertainties such to significantly influence the judgements and estimates included in the financial statements. Reference should be made to the consolidated financial statements at 31 December 2019 for details of the main captions that require the use of judgements and estimates. In compliance with the recommendations of the main regulators (included Consob and ESMA), the directors have identified the spread of the Covid-19 pandemic as an indicator of potential impairment losses and, in accordance with IAS 36, they performed an impairment test at 30 June 2020. Management therefore revised the estimates for 2020, considering all the currently-

available information. With regard to the subsequent years of the plan, these have been readjusted based on the current estimates. However, given the general uncertainty surrounding the global economic scenario, it is particularly difficult to make medium-term estimates, as the hypotheses underlying the development plans may change significantly in the event of a resurgence of the pandemic in certain geographical segments. The value in use may change if the main judgements and estimates made in the plan change and, hence, the impairment test. Therefore, the value in use and recoverability of the recognised assets may also change.

Conversely, management has not identified any indicators of potential impairment losses affecting net invested capital based on the financial performance for the first half of the year and stock market prices, which provide a useful benchmark to test the group's assets, and which remained significantly higher than their carrying amounts. Reference should be made to note 2 for a description of the testing methods and underlying assumptions.

Consolidation scope

The condensed interim consolidated financial statements include the financial statements at 30 June 2020 of the parent, Carel Industries S.p.A., and its Italian and foreign subsidiaries.

Subsidiaries are those entities over which the parent has control, as defined in IFRS 10 Consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect

those returns through its power over the investee. The financial statements of the subsidiaries are consolidated starting from the date when control exists until when it ceases to exist.

Note [33] "Other information" lists the entities included in the consolidation scope at 30 June 2020.

There were no changes in the consolidation scope with respect to 31 December 2019.

Basis of consolidation

The condensed interim consolidated financial statements at 30 June 2020 include the financial statements of Carel Industries S.p.A. and the Italian and foreign entities over which it has direct or indirect control. Specifically, the consolidation scope includes:

- the subsidiaries, over which the parent has control as defined by IFRS 10 Consolidated financial statements; these entities are consolidated on a line-by-line basis;
- the associates, over which the parent has the power to exercise significant influence over their financial and operating policies despite not having control; investments in these entities are measured using the equity method.

The parent adopted the following consolidation criteria:

- assets, liabilities, revenue and expenses of the consolidated entities are consolidated using the line-by-line approach where the carrying amount of the parent's investments therein is eliminated against its share of the investee's equity. Any differences are treated in accordance with IFRS 10 Consolidated financial statements and IFRS 3 Business combinations. The portions attributable to non-controlling interests are recognised at the fair value of the assets acquired and

liabilities assumed without recognising goodwill;

- the group entities are excluded from the consolidation scope when control thereover ceases to exist and any effects of exclusion are recognised as owner transactions in equity;
- intragroup receivables and payables, revenue and expenses and all significant transactions are eliminated, including intragroup dividends. Unrealised profits and gains and losses on intragroup transactions are also eliminated;
- equity attributable to non-controlling interests is presented separately under equity; their share of the profit or loss for the period is recognised in the statement of profit or loss;
- the financial statements of the consolidated foreign entities using a functional currency other than the Euro are translated into Euros using the average exchange rate for the six months for the statement of profit or loss captions and the closing rate for the statement of financial position captions. Any differences between these exchange rates or due to changes in the exchange rates at the start and end of the period are recognised under equity.

Accounting policies

STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020

The group applied the following standards, amendments and interpretations for the first time starting from 1 January 2020:

- On 31 October 2018, the IASB published the amendment Definition of material (Amendments to IAS 1 and IAS 8). The document amended the definition of “material” contained in IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors. The adoption of these amendments did not affect the group’s consolidated financial statements.
- On 29 March 2018, the IASB published an amendment

to the References to the conceptual framework in IFRS standards, which applies to annual periods beginning on or after 1 January 2020 but earlier application is allowed.

- On 26 September 2019, the IASB published Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform amending IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement in addition to IFRS 7 Financial Instruments: Disclosures. The adoption of these amendments did not affect the group’s consolidated financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION BUT NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE GROUP AT 30 JUNE 2020

At 30 June 2020, no standards, amendments and IFRS and IFRIC interpretations endorsed by the EU but not yet mandatory were issued.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EU

At the reporting date, the EU’s relevant bodies had not yet completed the endorsement process for adoption of the following amendments and standards.

- On 23 January 2020, the IASB published Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current. The amendments become effective on 1 January 2022, but the IASB issued an exposure draft to postpone it to 1 January 2023. The directors do not expect this amendment to significantly affect the group’s consolidated financial statements.
- On 28 May 2020, the IASB published Covid-19 Related Rent Concessions (Amendment to IFRS 16). Although this amendment is applicable to annual periods

beginning on or after 1 June 2020, except for early application to annual periods beginning on or after 1 January 2020, it has not been endorsed by the European Union and, therefore, the group did not apply it at 30 June 2020.

- On 28 May 2020, the IASB published the amendment Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) relating to the temporary exemption from applying IFRS 9 to 1 January 2023. These amendments become effective on 1 January 2021. The directors do not expect these amendments to significantly affect the group’s consolidated financial statements.

Translation of foreign currency financial statements and transactions

The main exchange rates (against €1) used to translate the foreign currency financial statements at 30 June 2020, 31 December 2019 and 30 June 2019 are set out below:

	Average rate		Closing rate	
	First half of 2020	First half of 2019	30.06.2020	30.12.2019
US dollar	1.102	1.130	1.120	1.123
Canadian dollar	1.503	n.a	1.532	1.460
Australian dollar	1.678	1.600	1.634	1.600
Hong Kong dollar	8.553	8.861	8.679	8.747
Brazilian real	5.410	4.342	6.112	4.516
Pound sterling	0.875	0.874	0.912	0.851
South African rand	18.311	16.043	19.443	15.777
Indian rupee	81.705	79.124	84.624	80.187
Chinese renminbi (yuan)	7.751	7.668	7.922	7.821
South Korean won	1,329.530	1,295.200	1,345.830	1,296.280
Russian ruble	76.669	73.744	79.630	69.956
Swedish krona	10.660	10.518	10.495	10.447
Japanese yen	119.267	124.284	120.660	121.940
Mexican peso	23.843	21.654	25.947	21.220
UAE dirham	4.047	4.149	4.113	4.126
Croatian kuna	7.534	7.420	7.571	7.440
Thai baht	34.824	35.714	34.624	33.415
Polish zloty	4.412	4.292	4.456	4.257
Singapore dollar	1.541	1.536	1.565	1.511
Ukrainian hryvnia	28.625	30.423	29.899	26.720

Notes to the statement of financial position

[1] PROPERTY, PLANT AND EQUIPMENT

At 30 June 2020, property, plant and equipment amounted to €60,038 thousand compared to €63,775 thousand

at 31 December 2019. The following table provides a breakdown of the caption and the changes of the period.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
Balance at 31 December 2019	32,453	15,334	9,370	5,780	838	63,775
- Historical cost	39,747	33,702	40,032	17,253	838	131,572
- Accumulated depreciation	(7,294)	(18,368)	(30,662)	(11,473)	-	(67,798)
Changes in 2020						
- Investments	138	396	989	647	795	2,965
- Investments in right-of-use assets	1,208	-	-	467	-	1,675
- Reclassifications (historical cost)	(956)	(495)	305	6	(421)	(1,561)
- Sales (historical cost)	-	(16)	(36)	(502)	-	(554)
- Sales - Right-of-use assets historical cost	(272)	-	-	(132)	-	(404)
- Exchange differences on historical cost	(215)	(412)	(129)	(228)	60	(924)
- Exchange differences on accumulated depreciation	14	182	80	143	-	418
- Exchange differences on right-of-use assets	(225)	-	-	(12)	-	(237)
- Depreciation	(383)	(1,144)	(1,653)	(717)	-	(3,897)
- Depreciation of right-of-use assets	(1,627)	-	(82)	(339)	-	(2,048)
- Reclassifications (accumulated depreciation)	(9)	(2)	2	-	-	(9)
- Restatement of right-of-use assets	(3)	-	-	(20)	-	(23)
- Sales (accumulated depreciation)	-	5	17	438	-	459
- Sales - Right-of-use assets (accumulated depreciation)	272	-	-	131	-	404
Total changes	(2,059)	(1,486)	(507)	(117)	433	(3,736)
Balance at 30 June 2020	30,394	13,848	8,862	5,663	1,271	60,038
including:						
- Historical cost	39,424	33,176	41,161	17,499	1,271	132,531
- Accumulated depreciation	(9,030)	(19,327)	(32,299)	(11,836)	0	(72,493)

Investments in the first half of 2020 were concentrated at the parent and the Chinese and Croatian sites for industrial equipment related to new production lines.

The group did not capitalise borrowing costs, in line with previous years.

[2] INTANGIBLE ASSETS

At 30 June 2020, this caption amounted to €90,863 thousand compared to €90,534 thousand at the end of 2019. The following table presents changes in these assets:

	Development expenditure	Trademarks, industrial patents and software licences	Goodwill	Other assets	Assets under development and payments on account	Total
Balance at 31 December 2019	5,210	10,734	48,622	23,196	2,772	90,534
- Historical cost	22,451	23,818	48,622	25,888	2,772	123,550
- Accumulated amortisation	(17,241)	(13,084)	-	(2,691)	-	(33,016)
Changes in 2020						
- Investments	22	1,163			890	2,075
- Reclassifications	344	1,060			157	1,561
- Exchange differences on historical cost		(27)	(26)	(34)	(11)	(99)
- Exchange differences on accumulated amortisation		4		12		15
- Amortisation	(947)	(1,291)		(995)		(3,233)
- Reclassifications (accumulated amortisation)		9				9
Total changes	(581)	918	(26)	(1,017)	1,036	329
Balance at 30 June 2020	4,629	11,652	48,596	22,179	3,808	90,863
including:						
- Historical cost	22,817	26,014	48,596	25,853	3,808	127,088
- Accumulated amortisation	(18,188)	(14,362)	-	(3,674)	-	(36,224)

Investments amounted to €2,075 thousand. They were mainly concentrated at the parent and were related to the capitalisation of software and development projects, some of which are completed and others are under way. Amortisation amounted to €3,233 thousand, of which €1,275 thousand refers to the allocation of the gain

generated by the first-time consolidation of the companies acquired in December 2018.

The goodwill considered material is shown separately in the next table, while the other goodwill balances allocated to the other CGUs are both individually and collectively immaterial and are recognised as Other goodwill.

Goodwill	30.06.2020	Exchange differences	31.12.2019
Hygromatik GmbH	38,499	-	38,499
Recuperator S.p.A.	6,326		6,326
Carel Thailand CO Ltd	2,028	(26)	2,054
Enersol Inc.	980	-	980
Other goodwill	763	-	763
Total	48,596	(26)	48,622

Impairment test

As required by international regulators, the spread of the Covid-19 pandemic was considered a trigger event, which, also at 30 June 2020, required impairment testing of goodwill recognised in the consolidated financial statements.

Goodwill is recognised on the acquisitions shown in the previous table considered as the CGUs for impairment test purposes. Only the Recuperator and Hygromatik CGUs to which material goodwill had been allocated were tested for impairment as follows:

The main financial parameters used to test each CGU were as follows:

CGU	Plan horizon	Growth rate g	WACC
Recuperator	2020-2023	1.96%	8.22%
Hygromatik	2020-2023	2.00%	7.92%

Such parameters were applied to the long-term plans prepared and approved by the boards of directors of the respective CGUs on 2 September 2020. As required by the most common guidelines, the financial parameters were not amended due to Covid-19, as the uncertainties related to the prolonged pandemic are already reflected in the cash flow forecasts.

For both CGUs, the forecast for the end of 2020 was revised compared to the one made in December 2019, following a top-down approach, which considers the changing macroeconomic scenarios due to the spread of the Covid-19 pandemic, based on the information available and management's best estimates. Forecast sales volumes

- Recuperator CGU - allocated goodwill of €6,326 thousand;
- Hygromatik CGU - allocated goodwill of €38,499 thousand.

The recoverable amount of goodwill of each CGU is determined by calculating value in use.

The general methodology used to test the various CGUs for impairment was unchanged with respect to 31 December 2019.

were also prudently revised downwards, resulting in a decrease in expected cash flows compared to the plan prepared in December 2019.

However, at 30 June 2020, both CGUs showed a gross operating profit and profit for the period, also thanks to the efficient cost containment policy introduced by management to offset the decrease in revenue.

Value in use confirmed the carrying amount of goodwill. Specifically, the test shows positive coverage for both the Recuperator and Hygromatik CGUs. Management performed a sensitivity analysis, changing the g rate and the business risk (WACC) parameters, to calculate the results that could arise in the case of a change in the

above scenarios. The analysis showed that the recoverable amount of the CGUs is not reasonably expected to decrease to below their carrying amount. Therefore, there was no indication of impairment of goodwill at 30 June 2020. Although the directors believe that the assumptions used are reasonable and represent the most probable scenarios based on the available information, the result of the test could differ should the above assumptions significantly change, specifically, the growth estimates may change significantly due to the continuation of the pandemic or in the event of an upsurge of the pandemic in certain geographical segments. Lastly further stress tests were carried out, related, in particular, to:

- the gross operating profit estimated over the explicit period of the plans, assuming that the possible

deterioration of the macroeconomic scenario will affect that period;

- certain variables, such as government bond yield and market risk premium, used to determine the WACC discount rate.

These stress tests reveal that:

- for the Recuperator CGU, the test is passed even if the WACC increases by 0.60% or the gross operating profit decreases by 40%;
- for the Hygromatik CGU, the test is passed even if the WACC increases by 0.25% or the gross operating profit decreases by 25%.

Therefore, there was no indication of impairment of goodwill at 30 June 2020.

[3] EQUITY-ACCOUNTED INVESTMENTS

At 30 June 2020, this caption amounted to €781 thousand compared to €536 thousand at 31 December 2019. It may be analysed as follows:

Entity	Registered office	Investment %	30.06.2020	Exchange differences	Equity-accounting	31.12.2019
Arion S.r.l.	Brescia (IT)	40%	71	-	-	71
Free Polska s.p.z.o.o.	Krakow (PL)	23%	689	(7)	252	444
Others			21	-	-	21
Total			781	(7)	252	536

In the first half of 2020, the group recognised an gain of €252 thousand on the investment in Free Polska s.p.z.o.o.

based on its most recently approved financial statements.

[4] OTHER NON-CURRENT ASSETS

At 30 June 2020, these amount to €12,874 thousand, compared to €13,111 thousand at 31 December 2019. A breakdown of the caption is provided below:

	30.06.2020	31.12.2019
Related parties	160	160
Guarantee deposits	400	407
Third parties	1,182	1,412
Other assets	11,132	11,132
Other non-current assets	12,874	13,111

[5] DEFERRED TAX ASSETS

At 30 June 2020, deferred tax assets amounted to €4,764 thousand compared to €4,378 thousand at 31 December 2019. The group has recognised deferred tax assets and

liabilities on temporary differences between the carrying amount of assets and liabilities and their tax base.

CURRENT ASSETS

[6] TRADE RECEIVABLES

At 30 June 2020, this caption amounted to €64,363 thousand compared to €58,552 thousand at 31 December 2019. It may be analysed as follows:

	30.06.2020	31.12.2019
Trade receivables	65,434	59,677
Loss allowance	(1,071)	(1,125)
Trade receivables	64,363	58,552

The next table breaks down trade receivables by geographical segment:

	30.06.2020	31.12.2019
Europe, Middle East and Africa	46,470	41,318
APAC	11,160	11,379
North America	6,274	5,308
South America	1,530	1,672
Total	65,434	59,677

The group does not usually charge default interest on past due receivables. A breakdown of the receivables that are not yet due and/or are past due with the relevant loss allowance is as follows:

	30.06.2020		31.12.2019	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not yet due	57,588	(268)	50,423	(246)
Past due < 6 months	6,496	(80)	8,153	(65)
Past due > 6 months	531	(39)	376	(102)
Past due > 12 months	819	(684)	725	(712)
Total	65,434	(1,071)	59,677	(1,125)

The group's receivables are not particularly concentrated. It does not have customers that individually account for more than 5% of the total receivables.

The increase compared to 31 December 2019, mainly in the not yet due bracket, is due to the high number of sales made in June, when catching up with orders which could

not be processed in previous months due to lockdown measures.

The loss allowance comprises management's estimates about credit losses on receivables from end customers and the sales network. It recognises the resulting impairment losses in Other expense, net.

Changes in the allowance are shown in the following table:

	30.06.2020	Accruals	Utilisations	Exchange differences	31.12.2019
Loss allowance	(1,071)	(110)	134	30	(1,125)

[7] INVENTORIES

At 30 June 2020, this caption amounted to €52,964 thousand compared to €48,265 thousand at 31 December 2019. It may be analysed as follows:

	30.06.2020	31.12.2019
Raw materials	24,648	24,032
Allowance for inventory write-down	(1,634)	(1,592)
Semi-finished products and work in progress	4,427	2,802
Finished goods	28,205	24,840
Allowance for inventory write-down	(2,932)	(1,888)
Payments on account	251	71
Total	52,964	48,265

The group recognised an allowance for obsolete or slow-moving items to cover the difference between the cost and estimated realisable value of obsolete raw materials and finished goods.

The accrual to the statement of profit or loss was recognised in the caption "Costs of raw materials, consumables and goods and changes in inventories".

[8] TAX ASSETS

This caption includes direct tax assets which amounted to €1,580 thousand at 30 June 2020 compared to €1,711 thousand at 31 December 2019.



[9] OTHER ASSETS

At 30 June 2020, this caption amounted to €5,600 thousand compared to €6,613 thousand at 31 December 2019. It may be analysed as follows:

	30.06.2020	31.12.2019
Payments on account to suppliers	802	498
Other tax assets	226	1,000
VAT assets	414	1,311
Prepayments and accrued income	2,210	2,220
Other	1,949	1,584
Total	5,600	6,613

Other tax assets decreased, mainly due to the offsetting of tax assets for research and development expenditure (pursuant to article 3 of Law decree no. 145 of 23

December 2013).

Other is mainly comprised of receivables from personnel and social security institutions.

[10] CURRENT FINANCIAL ASSETS

At 30 June 2020, this caption amounted to €19 thousand compared to €56 thousand at 31 December 2019. It may be analysed as follows:

	30.06.2020	31.12.2019
Derivatives	15	49
Other financial assets	4	6
Total	19	56

The derivatives are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. Fair value gains and

losses are recognised in profit or loss. More information is available in the paragraph on financial instruments in note [33] "Other information".

[11] CASH AND CASH EQUIVALENTS

At 30 June 2020, this caption amounted to €80,913 thousand compared to €62,768 thousand at 31 December 2019. Reference should be made to the statement of

cash flows for details of changes in the group's cash and cash equivalents and to the directors' report for the geographical breakdown.

	30.06.2020	31.12.2019
Current accounts and post office deposits	80,876	62,764
Cash	37	33
Total	80,913	62,798

Current accounts and post office deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to

immaterial currency risk.

At 30 June 2020, the group's current account credit balances were not pledged in any way.

EQUITY AND NON-CURRENT LIABILITIES

[12] EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

The parent's fully paid-up and subscribed share capital consists of 100,000,000 ordinary shares.

Equity may be analysed as follows:

	30.06.2020	31.12.2019
Share capital	10,000	10,000
Legal reserve	2,000	2,000
Translation reserve	(127)	3,558
Hedging reserve	(391)	(363)
Other reserves	56,285	46,166
Retained earnings	58,795	46,487
Profit for the period/year	16,329	35,019
Total	142,892	142,868

The hedging reserve includes the fair value gains and losses on interest rate hedges.

A resolution to distribute a dividend of €0.12 per share, totalling €11,980 thousand was made on 20 April 2020.

Throughout March and April 2020, the parent repurchased 84,874 treasury shares for a total of €958 thousand, to service the performance shares incentive plan. This amount was recognised in a specific reserve as a decrease in equity included under Other reserves.

For the purposes of the performance share plan, costs

totalling €359 thousand were recognised during the period with a balancing entry in Other reserves as the plan is equity settled.

Earnings per share were calculated by dividing the profit attributable to the owners of the parent by the weighted average number of outstanding ordinary shares. At 30 June 2020, following the above-mentioned repurchase of treasury shares, the average number of outstanding ordinary shares was 99,870,345.

The earnings per share were therefore as follows:

	First half of 2020	First half of 2019
Number of shares (in thousands)	99,870	99,941
Profit for the period (in thousands of Euros)	16,329	18,990
Earnings per share (in Euros)	0.16	0.19

[13] EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

At 30 June 2020, this caption amounted to €350 thousand compared to €353 thousand at 31 December 2019 and comprised the non-controlling interest in Carel Thailand Co. Ltd (20%).

	30.06.2020	Profit for the period	Other comprehensive income	Dividends distributed	Capital increases	31.12.2019
Equity attributable to non-controlling interests	350	10	(12)			353

[14] CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

These captions may be analysed as follows:

	30.06.2020	31.12.2019
Bank loans and borrowings at amortised cost	82,092	72,648
Non-current lease liabilities	11,299	11,787
Effective designated derivative hedges	528	513
Other loans and borrowings at amortised cost	1,273	1,539
Non-current financial liabilities	95,192	86,486
	30.06.2020	31.12.2019
Current portion of bank loans at amortised cost	46,611	34,236
Current lease liabilities	3,456	3,461
Bank borrowings at amortised cost	183	123
Derivatives held for trading at fair value through profit or loss	48	37
Other loans and borrowings at amortised cost	704	635
Current financial liabilities	51,003	38,492

The following table shows the main characteristics of the bank loans and other loans and borrowings by maturity at 30 June 2020:

	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Deutsche bank	EUR	400	2023	Fixed	131	43	88
Bper Banca	EUR	1,000	2021	Fixed	997	997	-
MedioCredito Italiano	EUR	15,000	2021	Floating	3,333	3,333	-
Unicredit	EUR	20,000	2023	Fixed	13,333	4,444	8,889
Unicredit	EUR	20,000	2023	Floating	20,000	6,666	13,333
Mediobanca	EUR	30,000	2021	Fixed	11,994	10,000	1,994
BNP Paribas	EUR	30,000	2022	Floating	21,397	8,571	12,826
BNP Paribas	EUR	20,000	2023	Floating	19,984	-	19,984
BNP Paribas	EUR	10,000	2021	Fixed	10,000	-	10,000
Intesa San Paolo	EUR	10,000	2024	Fixed	9,964	2,485	7,480
Intesa San Paolo	EUR	6,000	2020	Fixed	6,000	6,000	-
Credit Agricole	EUR	10,000	2024	Fixed	9,968	2,475	7,492
PNC Bank	USD	1,723	2020	Fixed	1,538	1,538	-
Banque Nationale	CAD	160	Revolving	Floating	59	59	-
Total					128,698	46,611	82,092
	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Simest Middle East	EUR	1,000	2021	Fixed	250	250	0
MedioCredito Centrale Progetto Horizon 2020	EUR	1,241	2026	Fixed	1,156	188	967
Other liabilities					572	266	306
Total					1,978	704	1,273

As reported in the directors' report, the financing granted by PNC Bank refers to the amount given to the US group company as part of the Paycheck Protection Program enacted by the US government. Provided that the

company complies with certain conditions, such amount can be considered non-repayable.

Lease liabilities refer to the lease liabilities recognised following the adoption of IFRS 16.

The following tables detail the expected cash flows with regard to contractual due dates and interest to be paid by type of loan:

30.06.2020	TOTAL	Total cash flows	Within one year	From one to five years	After five years
Bank loans and borrowings at amortised cost	82,092	82,759	-	82,759	-
Non-current lease liabilities	11,299	12,409	-	7,770	4,639
Effective designated derivative hedges	528	528	-	528	-
Other loans and borrowings at amortised cost	1,273	1,305	-	1,305	-
Non-current financial liabilities	95,192	97,001	-	92,362	4,639
Current portion of bank loans at amortised cost	46,611	47,096	47,096	-	-
Current lease liabilities	3,456	3,814	3,814	-	-
Bank borrowings at amortised cost	183	183	183	-	-
Other loans and borrowings at amortised cost	704	728	728	-	-
Derivatives held for trading at fair value through profit or loss	48	48	48	-	-
Current financial liabilities	51,003	51,869	51,869	-	-

The following loans require compliance with covenants:

- Mediobanca (original loan of €30,000 thousand, outstanding liability at 30 June 2020 of €11,994 thousand): Net financial debt to gross operating profit (loss) ratio < 3.5 and gross operating profit (loss) to net financial expense ratio > 5.00;
- BNP Paribas (original loan of €20,000 thousand, outstanding liability at 30 June 2020 of €19,984 thousand): Net financial debt to gross operating profit (loss) ratio < 3.5.

At 30 June 2020, such covenants were respected.

The derivatives included under current financial liabilities are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. More information is available in the paragraph on financial instruments in note [33] Other information. The effective designated derivative hedges include the fair value of IRS agreed to hedge interest rate risk.

The following tables show changes in current and non-current financial liabilities (including cash and non-cash changes):

	30.06.2020	Net cash flows	Fair value gains or losses	Reclassification	Exchange differences	31.12.2019
Bank loans	46,611	(3,205)	-	15,580	-	34,236
Bank borrowings	183	60	-	-	-	123
Other loans and borrowings	704	(150)	-	220	-	635
Derivatives	48	(37)	48	-	-	37
Current financial liabilities	47,547	(3,332)	(37)	15,800	-	35,031

	30.06.2020	Net cash flows	Fair value gains or losses	Reclassification	Exchange differences	31.12.2019
Bank loans and borrowings at amortised cost	82,092	25,024	-	(15,580)	-	72,648
Effective designated derivative hedges	528	(113)	129	-	-	513
Other loans and borrowings at amortised cost	1,273	(46)	-	(220)	-	1,539
Non-current financial liabilities	83,893	24,865	129	(15,800)	-	74,700

	30.06.2020	Increases	Restatement of financial liabilities	Repayments	Interest	Exchange differences	31.12.2019
Lease liabilities	14,755	1,675	(26)	(2,105)	206	(243)	15,248

[15] PROVISIONS FOR RISKS

At 30 June 2020, provisions amounted to €2,794 thousand compared to €3,786 thousand at 31 December 2019, as follows:

	30.06.2020	31.12.2019
Provision for agents' termination benefits	766	767
Provision for legal and tax risks	21	28
Provision for commercial complaints	116	284
Provision for product warranties	282	280
Other provisions	9	9
Total - non-current	1,194	1,368
Provision for legal and tax risks	-	320
Provision for commercial complaints	1,600	2,098
Total - current	1,600	2,418
Total	2,794	3,786

The provision for legal and tax risks, which at 31 December 2019, referred to the risk that the Chinese authorities may challenge the tax deduction of certain intragroup service costs, was fully released following the positive outcome of the audit.

The provisions for product warranties and commercial complaints were set up to cover liabilities arising on product defects which entail the repair or replacement of the defective parts or payment of a cash compensation to the customer. The directors estimated the provisions based on available information and past experience.

[16] DEFINED BENEFIT PLANS

This caption mainly consists of the group's liability for post-employment benefits and post-term of office benefits for directors recognised by the Italian group entities. These benefits qualify as defined benefit plans pursuant to IAS 19 and the related liabilities are calculated

by an independent actuary. The remainder of the caption comprises employee benefits recognised by the foreign group companies which are immaterial both individually and collectively.

[17] DEFERRED TAX LIABILITIES

At 30 June 2020 Deferred Tax Liabilities amounted to €10,573 thousand compared to €10,896 thousand at 31 December 2019.

[18] TRADE PAYABLES

At 31 June 2020, trade payables amounted to €40,014 thousand, compared to €38,200 thousand at 31 December 2019. They included payables for materials and services.

Trade payables arise as a result of the different payment terms negotiated with the group's suppliers, which differ from country to country.

[19] TAX LIABILITIES

At 30 June 2020, this caption amounted to €3,742 thousand compared to €1,113 thousand at 31 December 2019. It entirely consists of direct income tax liabilities. The change during the period was mainly related to the

calculation of current taxes for the period in accordance with IAS 34. It did not change significantly as a result of the provisions implemented by local governments in response to the spread of the pandemic.

[20] OTHER CURRENT LIABILITIES

Other current liabilities are broken down in the following table:

	30.06.2020	31.12.2019
Social security contributions	3,520	4,156
Tax withholdings	1,514	1,854
Other current tax liabilities	306	242
VAT liabilities	1,747	1,017
Wages and salaries, bonuses and holiday pay	12,440	11,770
Other	709	1,254
Total	20,235	20,292

The caption mostly includes personnel-related liabilities (wages and salaries, tax withholdings and social security contributions) and tax liabilities, specifically VAT liabilities which showed the largest increase compared to 31 December 2019.

Wages and salaries, bonuses and holiday pay, as well as social security contributions, decreased due to the utilisation of provisions made at year end.

This caption did not change significantly as a result of the measures implemented by local governments in response to the spread of the pandemic.

Notes to the statement of profit or loss

[21] REVENUE

Revenue amounted to €160,968 thousand, compared to €166,904 thousand for the corresponding period of 2019 (-3.6%). It is shown net of discounts and allowances.

Revenue generated by services amounted to €972 thousand compared to €1,480 thousand for the first half of 2019. A breakdown of revenue by market is as follows:

	First half of 2020	First half of 2019	Variation %
HVAC revenue	105,002	110,545	(5.0%)
REF revenue	53,837	53,864	(0.1%)
Total core revenue	158,839	164,409	(3.4%)
Non-core revenue	2,129	2,495	(14.7%)
Total revenue	160,968	166,904	(3.6%)

There are no group entities that individually contribute more than 10% to the group's revenue.

A breakdown of revenue by geographical segment is as follows:

	First half of 2020	First half of 2019	Variation %
Europe, Middle East and Africa	116,849	117,910	(0.9%)
APAC	21,367	23,104	(7.5%)
North America	19,797	22,152	(10.6%)
South America	2,955	3,739	(21.0%)
Total	160,968	166,905	(3.6%)

Reference should be made to the directors' report for an analysis of trends in revenue.

[22] OTHER REVENUE

Other revenue amounted to €1,421 thousand, an increase on the €1,156 thousand balance for the corresponding

period of 2019. The caption may be broken down as follows:

	First half of 2020	First half of 2019	Variation %
Grants related to income	247	21	>100%
Sundry cost recoveries	835	940	(11.1%)
Other revenue and income	339	195	74.0%
Total	1,421	1,156	23.0%

Grants related to income mainly refer to grants intended to support local economies impacted by the spread of the COVID-19 pandemic received by certain group companies. Sundry cost recoveries mostly refer to the recovery of

transport and other costs.

Other revenue and income principally comprise amounts charged to suppliers and customers.

[23] COSTS OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGES IN INVENTORIES

This caption amounts to €68,612 thousand, compared to €69,951 thousand in the first half of 2019. A breakdown of the caption is as follows:

	First half of 2020	First half of 2019	Variation %
Costs of raw materials, consumables and goods and changes in inventories	(68,612)	(69,951)	(1.9%)
% of revenue	(42.6%)	(41.9%)	1.7%

[24] SERVICES

The group incurred costs of €20,956 thousand for services in the first half of 2020, up 7.8% on the corresponding period of the previous year. A breakdown of the caption is as follows:

	First half of 2020	First half of 2019	Variation %
Transport	(6,049)	(4,901)	23.4%
Consultancies	(2,824)	(3,450)	(18.2%)
Business trips and travel	(973)	(2,348)	(58.6%)
Use of third party assets	(687)	(874)	(21.4%)
Maintenance and repairs	(2,130)	(1,903)	11.9%
Marketing and advertising	(1,008)	(1,284)	(21.5%)
Outsourcing	(1,398)	(869)	60.9%

	First half of 2020	First half of 2019	Variation %
Agency commissions	(821)	(1,031)	(20.4%)
Utilities	(812)	(839)	(3.1%)
Fees to directors, statutory auditors and independent auditors	(1,046)	(1,199)	(12.8%)
Insurance	(618)	(552)	11.9%
Telephone and connections	(489)	(480)	1.9%
Other services	(2,102)	(2,997)	(29.8%)
Total	(20,956)	(22,726)	(7.8%)

The main decrease related to Business trips and travel, which was mainly due to actions implemented by management to contain costs and restrictions on movement imposed by the various governments.

Consultancies and marketing and advertising fees also decreased as a result of the aforementioned actions.

Such decreases were only partially offset by higher

outsourcing and transport costs incurred in order to overcome the reduced production capacity of certain sites and to mitigate the longer delivery times for products and raw materials due to the shutdown in China. In fact, during the period, the group made greater use of air rather than sea transport, therefore incurring higher costs.

[25] CAPITALISED DEVELOPMENT EXPENDITURE

This caption amounted to €990 thousand, compared to €1,399 thousand in the first half of 2019. It is entirely related to development projects capitalised under intangible assets. The group incurred development expenditure

of €8,444 thousand and €8,877 thousand in the first half of 2019 and 2020, respectively (5.3% as a percentage of revenue in both periods). Only the amounts described above can be capitalised.

[26] PERSONNEL EXPENSE

This caption amounted to €42,865 thousand for the first half of 2020 compared to €42,139 thousand for the corresponding period of the previous year.

A breakdown of this caption and of the workforce by employee category is as follows:

	First half of 2020	First half of 2019	Variation %
Wages and salaries, including bonuses and accruals	(33,627)	(32,765)	2.6%
Social security contributions	(7,301)	(7,623)	(4.2%)
Defined benefit plans	(1,169)	(1,172)	(0.3%)
Other costs	(769)	(578)	33.0%
Total	(42,865)	(42,139)	1.7%

	First half of 2020	First half of 2019
Managers	62	59
White collars	1,061	1,014
Blue collars	600	559
Total	1,723	1,632

[27] OTHER EXPENSE, NET

This caption amounted to €73 thousand for the first half of 2020, compared to €897 thousand for the corresponding period of the previous year. It may be broken down as follows:

	First half of 2020	First half of 2019	Variation %
Gains on the sale of non-current assets	11	7	49.7%
Prior year income	250	178	40.0%
Release of provisions for risks	969	0	>100%
Other income	1,230	186	>100%
Losses on the sale of non-current assets	(8)	(7)	3.8%
Prior year expense	(201)	(212)	(4.9%)
Other taxes and duties	(461)	(428)	7.5%
Accrual to the loss allowance	(110)	(0)	>100%
Accrual to the provisions for risks	(387)	(95)	>100%
Credit losses	(2)	(17)	(87.6%)
Other costs	(134)	(322)	(58.5%)
Other expense	(1,303)	(1,083)	20.4%
Other expense, net	(73)	(897)	(91.8%)

As described in note [15] some of the provisions for risks accrued in previous years were released as the conditions for their recognition no longer existed. Net of new accruals

made during the period, the impact on the statement of profit or loss amounted to €582 thousand.

[28] AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

This caption amounted to €9,183 thousand compared to €8,143 thousand in the first half of the previous year. This increase was mainly due to investments made in the last 12 months.

	First half of 2020	First half of 2019	Variation %
Amortisation	(3,240)	(2,802)	15.6%
Depreciation	(5,942)	(5,342)	11.2%
Impairment losses	(1)	0	>100%
Total	(9,183)	(8,143)	12.8%

[29] NET FINANCIAL EXPENSE

Net financial expense for the first half of 2020 came to €716 thousand, compared to €682 thousand for the corresponding period of 2019, as follows:

	First half of 2020	First half of 2019	Variation %
Interest income	145	158	(8.0%)
Gains on derivatives	15	0	>100%
Other financial income	55	105	(46.9%)
Financial income	215	262	(17.9%)
Bank interest expense	(468)	(454)	3.1%
Lease interest expense	(205)	(166)	23.4%
Other interest expense	(20)	(23)	(14.4%)
Losses on derivatives	(24)	(71)	(65.6%)
Other financial expense	(214)	(230)	(7.0%)
Financial expense	(931)	(944)	(1.4%)
Net financial expense	(716)	(682)	5.0%

[30] NET EXCHANGE GAINS

This caption showed net exchange gains of €33 thousand for the first half of 2020 compared to losses of €326 thousand for the corresponding period of 2019, as follows:

	First half of 2020	First half of 2019	Variation %
Exchange losses	(2,581)	(1,987)	29.9%
Exchange gains	2,614	1,661	57.4%
Net exchange gains (losses)	33	(326)	(110%)

[31] SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTEEES

This caption shows a net profit of €252 thousand and relates to an investment held by Alfaco Polska s.p.z.o.o..

[32] INCOME TAXES

This caption amounted to €4,920 thousand for the first half of 2020, compared to €5,660 thousand for the corresponding period of 2019. Income taxes were

calculated based on the average tax expense determined on the basis of the actual annual tax rate in accordance with the provisions of IAS 34.

SEGMENT REPORTING

Under IFRS 8, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Based on the company's internal reporting system, the business activities for which it earns revenue

and incurs expenses and the operating results which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated and to assess its performance, the company has not identified individual operating segments but is an operating segment as a whole.

[33] OTHER INFORMATION

Financial instruments

The group is active on international markets and, hence, is exposed to currency and interest rate risks. Specifically, the currencies generating these risks are the US dollar, the Japanese yen, the Australian dollar and the Chinese renminbi.

The group has a hedging policy to mitigate the risks, which

involves the use of derivatives, options and forwards, mostly with maturities of less than one year. Transactions in place at the reporting date involving currency hedging transactions are as follows:

forward	First half of 2020				31.12.2019			
	Purchases *	Sales *	Positive fair value **	Negative fair value **	Purchases *	Sales *	Positive fair value **	Negative fair value **
USD/EUR	-	-	-	-	-	1,200	10	-
JPY/EUR	3,000	30,409	1	-	37,431	-	-	(3)
USD/CNY	-	-	-	-	-	5,500	38	-
EUR/ZAR	129	-	-	-	165	-	-	(1)
ZAR/USD	-	10,000	-	(36)	-	3,400	-	(9)

forward	First half of 2020				31.12.2019			
	Purchases *	Sales *	Positive fair value **	Negative fair value **	Purchases *	Sales *	Positive fair value **	Negative fair value **
USD/ZAR	-	50	1	-	-	147	-	(9)
PLN/EUR	-	1,108	10	-	-	6,921	-	(14)
THB/USD	-	8,000	-	(9)	-	3,500	-	(1)
Total forwards			12	(45)			48	(36)
Options								
JPY/EUR	50,000	-	2	(4)	-	-	-	-
ZAR/USD	-	-	-	-	12,000	1	-	-
THB/USD	26,000	-	-	-	26,000	-	-	-
Total options			2	(4)			-	-
Total			14	(49)			48	(36)

(*) Amount in thousands of local currency.

(**) Amount in thousands of Euros.

The next table provides information about the interest rate swaps hedging the related risk:

	Notional amount	Floating interest rate	Fixed interest rate	Maturity	Fair value 30.06.2020	Fair value 31.12.2019
BNL	15,000	3m Euribor > -0.55% -0.55% > 3m Euribor	-0.10%	30/06/2021	(7)	(13)
BNL	30,000	6m Euribor > -0.78% / -0.78% if 6m Euribor < -0.78%	-0.78%	19/11/2022	(138)	(180)
BNL	20,000	3m Euribor > -0.98% / -0.98% if 3m Euribor < -0.98%	-0.02%	30/04/2023	(260)	(192)
Unicredit	20,000	3m Euribor > -0.92% / -0.92% if 3m Euribor < -0.92%	-0.04%	30/04/2023	(128)	(128)

Derivatives hedging foreign currency assets and liabilities are recognised at fair value with any gains or losses

recognised in profit or loss. They are natural hedges of the related risks, which are recognised pursuant to IFRS 9.

Categories of financial instruments and fair value hierarchy

The next table shows the classification of financial assets and liabilities pursuant to IFRS 7, using the categories established by IFRS 9, and their fair value:

First half of 2020	IFRS 9 category	Carrying amount	Fair Value		
			Level 1	Level 2	Level 3
Securities	Available-for-sale financial assets				
Derivatives	Financial instruments held for trading	15		15	
Other financial assets	Loans and receivables	4			4
Total		19			
Trade receivables	Loans and receivables	64,363			64,363
Total financial assets		64,382			
including:	Available-for-sale financial assets	0			
	Financial instruments held for trading	15			
	Loans and receivables	64,367			
Bank loans and borrowings	Financial liabilities at amortised cost	82,092		82,092	
Other loans and borrowings	Financial liabilities at amortised cost	1,273		1,273	
Non-current lease liabilities	Financial liabilities at amortised cost	11,299			
Effective designated derivative hedges	Financial instruments held for trading	528		528	
Non-current financial liabilities		95,192			
Bank borrowings	Financial liabilities at amortised cost	183		183	
Bank loans	Financial liabilities at amortised cost	46,611		46,611	
Current lease liabilities	Financial liabilities at amortised cost	3,456			
Derivatives	Financial instruments held for trading	48		48	
Other loans and borrowings	Financial liabilities at amortised cost	704		704	
Current financial liabilities		51,003			
Trade payables	Financial liabilities at amortised cost	40,014			40,014
Total financial liabilities		186,209			
including	Financial liabilities at amortised cost	185,633			
	Financial instruments held for trading	577			

Related parties transactions

During the period the Group carried out transactions with related parties as follows::

30.06.2020	Related party transactions	Crediti finanziari	Debiti	Debiti finanziari	Ricavi	Costi	Costi Finanziari
Arion S.r.l.		160	(100)		1	(869)	
Free Polska s.p.z.o.o.	356		(1,535)		3	(6,332)	
Total associates	356	160	(1,635)	-	4	(7,201)	-
RN Real Estate S.r.l.	2		(4)	(2,484)	18		(9)
Arianna S.p.A.	6		(17)		3	(15)	
Nastrificio Victor S.p.A.			(7)			(12)	
Eurotest laboratori S.r.l.	11		(44)		21	(130)	
Carel Real Estate Adratic d.o.o.	2		(31)	(2,559)	2	(1)	(49)
Agriturismo Le Volpi						(2)	
Eurotec Ltd	153		(3)		262	(13)	
Panther S.r.l.			(3)			(5)	
Gestion A.Landry Inc				(16)		(1)	(0)
Humide Expert			(5)			(13)	
Others	-	-	(11)	-	-	(30)	-
Total other related parties	173	-	(127)	(5,059)	304	(222)	(58)
Total	529	160	(1,762)	(5,059)	308	(7,423)	(58)

All the related party transactions take place on an arm's length basis.

Others include transactions that are individually and collectively irrelevant.

List of investees included in the condensed interim consolidated financial statements and other investees

The following table shows the investees directly and indirectly controlled by the parent as well as all the legally-required disclosures necessary to prepare the condensed interim consolidated financial statements:

	Registered office	Country	Currency	Share/quota capital at 31/12/2019
Parent:				
CAREL INDUSTRIES S.p.A	Brugine (Padua)	Italy	EUR	10,000,000
Consolidated investees:				
C.R.C. S.r.l.	Bologna	Italy	EUR	98,800
CAREL Deutschland GmbH	Frankfurt	Germany	EUR	25,565
CAREL France Sas	St. Priest, Rhone	France	EUR	100,000
CAREL U.K. Ltd	London	GB	GBP	350,000
CAREL Sud America Instrumentacao Eletronica Ltda	São Paulo	Brazil	BRL	31,149,059
CAREL Usa LCC	Wilmington Delaware	US	USD	3,000,000
CAREL Asia Ltd	Hong Kong	Honk Kong	HKD	15,900,000
CAREL HVAC&R Korea Ltd	Seul	South Korea	KRW	550,500,000
CAREL South East Asia Pte. Ltd.	Singapore	Singapore	SGD	100,000
CAREL Australia PTY Ltd	Sydney	Australia	AUD	100
CAREL Electronic Suzhou Ltd	Suzhou	Peopl's Republic of China	CNY	75,019,566
CAREL Controls Iberica SI	Barcelona	Spain	EUR	3,005
CAREL Controls South Africa (Pty) Ltd	Johannesburg	South Africa	ZAR	4,000,000
CAREL ACR System India (Pvt) Ltd	Mumbai	India	INR	1,665,340
CAREL RUS Llc	St. Petersburg	Russia	RUB	6,600,000
CAREL Nordic AB	Hoganas	Sweden	SEK	550,000
CAREL Middle East	Dubai	Dubai	AED	4,333,877
CAREL Mexicana, S. DE R.L. DE C.V.	Guerra, Tlalpan	Mexico	MXN	12,441,149
CAREL Adriatic D.o.o.	Rijeka	Croatia	HRK	54,600,000
CAREL (Thailand) Co. Ltd.	Bangkok	Thailand	THB	10,000,000
Alfaco Polska Sp.z.o.o.	Wroclaw	Poland	PLN	420,000
CAREL Japan	Tokyo	Japan	JPY	60,000,000
Recuperator S.p.A.	Rescaldina (MI)	Italy	EUR	500,000
Hygromatik G.m.b.H.	Henstedt-Ulzburg	Germany	EUR	639,115
CAREL Ukraine LLC	Kiev	Ukraine	UAH	700,000
Enersol	Beloil	Canada	CAD	100



Share/quota capital at First half of 2020	% investment pertaining to the group First half of 2020	Investor Share/quotaholder	Consolidation method	Profit (loss) First half of 2020 EURO
10,000,000				15,517,860
98,800	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	298,994
25,565	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	307,423
100,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	160,130
350,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	388,298
31,149,059	53.02%	CAREL INDUSTRIES S.p.A.	Line-by-line	396,097
	46.98%	CAREL Electronic Suzhou Ltd		
5,000,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	257,570
15,900,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	(91,145)
550,500,000	100%	CAREL Electronic Suzhou Ltd	Line-by-line	(49,667)
100,000	100%	CAREL Asia Ltd	Line-by-line	43,110
100	100%	CAREL Electronic Suzhou Ltd	Line-by-line	90,068
75,019,566	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	3,624,951
3,005	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	223,910
4,000,000	100%	CAREL Electronic Suzhou Ltd	Line-by-line	91,212
1,665,340	0.01%	CAREL France Sas	Line-by-line	(58,964)
	99.99%	CAREL Electronic Suzhou Ltd		
6,600,000	99%	CAREL INDUSTRIES S.p.A.	Line-by-line	346,329
	1%	CAREL France Sas		
550,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	96,589
4,333,877	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	(12,110)
12,441,149	100%	CAREL Usa LCC	Line-by-line	(48,331)
54,600,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	3,685,289
10,000,000	79.994%	CAREL Electronic Suzhou Ltd	Line-by-line	50,038
	0.006%	CAREL Australia PTY Ltd		
420,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	1,605,168
60,000,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	27,900
500,000	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	197,142
639,115	100%	CAREL INDUSTRIES S.p.A.	Line-by-line	1,807,962
700,000	100%	Alfacco Polska Zoo	Line-by-line	(59,120)
100	100%	CAREL Usa Inc	Line-by-line	(17,326)

Events after the reporting date

No significant events have taken place since the reporting date.

Statement on the condensed interim consolidated financial statements pursuant to article 154-bis of Legislative decree no. 58/98 and article 81-ter of Consob regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Francesco Nalini, as chief executive officer, and Nicola Biondo, as manager in charge of financial reporting of Carel Industries S.p.A., also considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, state that the administrative and accounting policies adopted for the preparation of the condensed interim consolidated financial statements at 30 June 2020:
 - are adequate in relation to the company’s characteristics and
 - have been effectively applied during the reporting period.
2. There is nothing to report in this respect.
3. Moreover, they state that
 - 3.1 the condensed interim consolidated financial statements:
 - a. have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council on 19 July 2002;
 - b. are consistent with the accounting ledgers and records;
 - c. are suitable to give a true and fair view of the financial position, financial performance and cash flows of the issuer and the group of companies included in the consolidation scope.
 - 3.2 The directors’ report includes a reliable analysis of the key events of the period and their impact on the condensed interim consolidated financial statements, as well as a description of the main risks and uncertainties for the second half of the year and information about significant related party transactions.

Brugine, 10 September 2020

Chief executive officer

Manager in charge of financial reporting

Francesco Nalini

Nicola Biondo

Independent auditors' report

Deloitte.

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REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020

To the Shareholders of
CAREL INDUSTRIES S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Carel Industries S.p.A. and subsidiaries (the "Carel Group"), which comprise the balance sheet as of June 30, 2020 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the interim financial statements under Resolution n° 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Carel Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padova, Italy
September 11, 2020

This report has been translated into the English language solely for the convenience of international readers.

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